

W. R. Grace & Co. - Chapter 11 Filing Entities

Combining Balance Sheet

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February 28, 2007

	Koental Development Company	GB Biomedical, Inc.	Amicon, Inc.	Grace Environmental, Inc.	Grace Chemical Company of Cuba	Southern Oil, Resin & Fiberglass, Inc.
ASSETS						
Current Assets						
Cash and cash equivalents	\$ 46,439	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables, net	(10,483)	(26,614,022)	57,347,191	(7,283,826)		
Receivables from/(payables to) filing and non-filing entities, net						
Inventories	-	-	-	-		
Deferred income taxes	-	-	-	-		
Other current assets	7,220	-	-	-		
Total Current Assets	43,176	(26,614,022)	57,347,191	(7,283,826)		
Properties and equipment, net	-	-	-	-		
Goodwill	-	-	-	-		
Cash value of company owned life insurance, net of policy loans	-	-	-	-		
Deferred income taxes	-	-	-	-		
Asbestos-related insurance receivable	-	-	-	-		
Loans receivable from/(payable to) filing and non-filing entities, net	-	-	-	-		
Investment in filing and non-filing entities	-	-	-	-		
Other assets	-	-	-	-		
Total Assets	\$ 43,176	\$ (26,614,022)	\$ 57,347,191	\$ (7,283,826)	\$ -	\$ -
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-		
Income taxes payable	-	-	-	-		
Asbestos-related liability expected to be disbursed within one year	-	-	-	-		
Other current liabilities	-	-	-	-		
Total Current Liabilities	-	-	-	-		
Debt payable after one year	-	-	-	-		
Deferred income taxes	-	-	-	-		
Minority interest in consolidated entities	-	5,000	-	-		
Asbestos-related liability expected to be disbursed after one year	-	-	-	-		
Other liabilities	-	-	-	-		
Total Liabilities Not Subject to Compromise	-	5,000	-	-		
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-		
Accounts payable	-	-	-	-		
Income taxes payable	(392,555)	(195)	10,346,794	(230)		
Asbestos-related liability	-	-	-	-		
Other liabilities	-	-	-	-		
Total Liabilities Subject to Compromise	(392,555)	(195)	10,346,794	(230)		
Total Liabilities	(392,555)	4,805	10,346,794	(230)		
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-		
Common Stock	-	-	-	-		
Paid in capital	1,164,954	859,233	3,671,658	5,150		
(Accumulated deficit)/Retained earnings	(729,223)	(27,478,060)	43,427,950	5,144,850		
Treasury stock, at cost	-	-	-	(12,433,596)		
Accumulated other comprehensive loss	-	-	(99,212)	-		
Deferred compensation trust	-	-	-	-		
Total Shareholders' Equity (Deficit)	435,731	(26,618,827)	47,000,396	(7,283,596)		
Total Liabilities and Shareholders' Equity (Deficit)	\$ 43,176	\$ (26,614,022)	\$ 57,347,191	\$ (7,283,826)	\$ -	\$ -

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

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	Guanica-Caribe Land Development Corporation	Dewey & Almy, LLC	A-1 Bit & Tool Co., Inc.	Grace Tarpon Investors, Inc.	G C Limited Partners, Inc.	Monolith Enterprises, Incorporated
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables, net						
Receivables from/(payables to) filing and non-filing entities, net	5,824,284	(102,989)	(1,119,103)	10,284,124	330	(2,417,714)
Inventories	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Total Current Assets	5,824,284	(102,989)	(1,119,103)	10,284,124	330	(2,417,714)
Properties and equipment, net	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance receivable	-	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	-	94,022	-	-	-	-
Investment in filing and non-filing entities	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total Assets	\$ 5,824,284	\$ (8,966)	\$ (1,119,103)	\$ 10,284,124	\$ 330	\$ (2,417,714)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-	-
Other current liabilities	-	-	-	3	-	-
Total Current Liabilities	-	-	-	3	-	-
Debt payable after one year	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Minority interest in consolidated entities	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	-	-	3	-	-
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-	-	-
Accounts payable						
Income taxes payable	(110)	-	(110)	(560)	(560)	(450)
Asbestos-related liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Subject to Compromise	(110)	-	(110)	(560)	(560)	(450)
Total Liabilities	(110)	-	(110)	(557)	(560)	(450)
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-	-	-
Common Stock	1,000	2,000	29,000	1,000	1,000	26,000
Paid in capital	5,823,446	-	-	3,136,087	-	9,988,414
(Accumulated deficit)/Retained earnings	(52)	(10,966)	(1,147,993)	7,147,595	(110)	(12,431,678)
Treasury stock, at cost	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	-	-
Deferred compensation trust	-	-	-	-	-	-
Total Shareholders' Equity (Deficit)	5,824,394	(8,966)	(1,118,993)	10,284,682	890	(2,417,264)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 5,824,284	\$ (8,966)	\$ (1,119,103)	\$ 10,284,124	\$ 330	\$ (2,417,714)

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

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Combining Balance Sheet

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	Grace Culinary Systems, Inc.	Grace Hotel Services Corporation	Monroe Street, Inc.	Grace H-G Inc.	Hanover Square Corporation	Conn, Inc.
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables, net						
Receivables from/(payables to) filing and non-filing entities, net	(26,312,455)	(5,132,933)	(3,350,634)	(2,509,849)	840	(1,230,613)
Inventories	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Total Current Assets	(26,312,455)	(5,132,933)	(3,350,634)	(2,509,849)	840	(1,230,613)
Properties and equipment, net	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance receivable	-	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	-	-	-	-	-	-
Investment in filing and non-filing entities	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total Assets	\$ (26,312,455)	\$ (5,132,933)	\$ (3,350,634)	\$ (2,509,849)	\$ 840	\$ (1,230,613)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Debt payable after one year	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Minority interest in consolidated entities	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	-	-	-	-	-
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-	-	-
Accounts payable	-	-	-	-	-	-
Income taxes payable	-	(818)	(110)	(210)	(110)	(30)
Asbestos-related liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Subject to Compromise	-	(818)	(110)	(210)	(110)	(30)
Total Liabilities	-	(818)	(110)	(210)	(110)	(30)
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-	-	-
Common Stock	-	-	-	1,000	1,000	1,000
Paid in capital	-	-	-	-	-	50
(Accumulated deficit)/Retained earnings	(26,312,455)	(5,132,115)	(3,351,524)	(2,510,639)	(50)	(1,230,683)
Treasury stock, at cost	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	-	-
Deferred compensation trust	-	-	-	-	-	-
Total Shareholders' Equity (Deficit)	(26,312,455)	(5,132,115)	(3,350,524)	(2,509,639)	950	(1,230,583)
Total Liabilities and Shareholders' Equity (Deficit)	\$ (26,312,455)	\$ (5,132,933)	\$ (3,350,634)	\$ (2,509,849)	\$ 840	\$ (1,230,613)

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

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Combining Balance Sheet

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	W. R. Grace Land Corporation	G/C Management Inc.	Water Street Corporation	Del Taco Restaurants, Inc.	W. R. Grace Capital Corporation	Gloucester New Communities Company, Inc.
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500
Accounts and other receivables, net						91,572
Receivables from/(payables to) filing and non-filing entities, net	36,708,315		(73,061)	(12,559,518)	(264,688)	(19,486,048)
Inventories	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Total Current Assets	36,708,315	-	(73,061)	(12,559,518)	(264,688)	(19,393,976)
Properties and equipment, net	-	-	-	-	438,445	-
Goodwill	-	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance receivable	-	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net						
Investment in filing and non-filing entities	6,284,806	-	-	-	-	-
Other assets	-	-	-	-	-	4,066
Total Assets	\$ 42,993,121	\$ -	\$ (73,061)	\$ (12,559,518)	\$ 173,757	\$ (19,389,909)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	4,066
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-	-
Other current liabilities	-	-	-	-	199	69,766
Total Current Liabilities	-	-	-	-	199	73,833
Debt payable after one year	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Minority interest in consolidated entities	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	-	-	-	199	73,833
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-	-	-
Accounts payable						
Income taxes payable	(821)	-	(110)	(265)	(759)	-
Asbestos-related liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Subject to Compromise	(821)	-	(110)	(265)	(759)	-
Total Liabilities	(821)	-	(110)	(265)	(560)	73,833
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-	-	-
Common Stock	5,000	-	1,000	85,539	1,000	5,000
Paid in capital	19,577,160	-	-	6,541,055	4,000	6,000,000
(Accumulated deficit)/Retained earnings	23,411,782	-	(73,951)	(19,185,847)	169,317	(25,468,742)
Treasury stock, at cost	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	-	-
Deferred compensation trust	-	-	-	-	-	-
Total Shareholders' Equity (Deficit)	42,993,942	-	(72,951)	(12,559,253)	174,317	(19,463,742)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 42,993,121	\$ -	\$ (73,061)	\$ (12,559,518)	\$ 173,757	\$ (19,389,909)

Note #3

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	Creative Food N Fun Company	Grace PAR Corporation	Grace A-B Inc.	Homco International Inc.	GPC Thomasville Corp.	Grace Ventures Corp.
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables, net	23,478,717	6,345,361	810,265	(59,581,637)	(185)	(86,721)
Receivables from/(payables to) filing and non-filing entities, net						
Inventories	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Total Current Assets	23,478,717	6,345,361	810,265	(59,581,637)	(185)	(86,721)
Properties and equipment, net	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance receivable	-	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	-	-	-	-	-	-
Investment in filing and non-filing entities	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total Assets	\$ 23,478,717	\$ 6,345,361	\$ 810,265	\$ (59,581,637)	\$ (185)	\$ (86,721)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Debt payable after one year	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Minority interest in consolidated entities	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	-	-	-	-	-
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-	-	-
Accounts payable	(1,432)	(300)	(335)	(405)	(185)	(110)
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Subject to Compromise	(1,432)	(300)	(335)	(405)	(185)	(110)
Total Liabilities	(1,432)	(300)	(335)	(405)	(185)	(110)
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-	-	-
Common Stock	1,090,000	1,000	1,000	303,000	-	-
Paid in capital	33,631,999	18,090,032	-	37,765,000	-	1,900,000
(Accumulated deficit)/Retained earnings	(11,241,851)	(11,745,371)	809,600	(97,649,232)	-	(1,986,611)
Treasury stock, at cost	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	-	-
Deferred compensation trust	-	-	-	-	-	-
Total Shareholders' Equity (Deficit)	23,480,148	6,345,661	810,600	(59,581,232)	-	(86,611)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 23,478,717	\$ 6,345,361	\$ 810,265	\$ (59,581,637)	\$ (185)	\$ (86,721)

Note #3

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	Grace Energy Corporation	GEO Management Corporation	Grace Offshore Company	Coalgaece, Inc.	Grace A-Sift Inc.	Grace H-G II Inc.
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables, net	-	-	-	-	-	-
Receivables from/(payables to) filing and non-filing entities, net	352,712,699	4,389,612	(15,750,664)	5,296,839	875,359	(5,314)
Inventories	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-
Total Current Assets	352,712,699	4,389,612	(15,750,664)	5,296,839	875,359	(5,314)
Properties and equipment, net	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Asbestos-related insurance receivable	-	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	(35,903,123)	(14,135,725)	-	-	-	-
Investment in filing and non-filing entities	187,272,210	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total Assets	\$ 504,081,786	\$ (9,746,113)	\$ (15,750,664)	\$ 5,296,839	\$ 875,359	\$ (5,314)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	-	-
Other current liabilities	-	-	-	-	-	-
Total Current Liabilities	-	-	-	-	-	-
Debt payable after one year	-	-	-	-	-	-
Deferred income taxes	-	-	-	-	-	-
Minority interest in consolidated entities	-	-	-	-	-	-
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	-	-	-	-	-
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest	-	-	-	-	-	-
Accounts payable	(119)	(110)	-	(360)	(310)	(260)
Income taxes payable	-	-	-	-	-	-
Asbestos-related liability	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total Liabilities Subject to Compromise	(119)	(110)	-	(360)	(310)	(260)
Total Liabilities	(119)	(110)	-	(360)	(310)	(260)
Shareholders' Equity (Deficit)						
Preferred Stock	-	-	-	-	-	-
Common Stock	1,000	1,000	(114,960)	100	1,000	1,000
Paid in capital	451,425,156	(2,089,027)	34,215,000	-	-	-
(Accumulated deficit)/Retained earnings	52,655,749	(7,657,976)	(49,850,704)	5,297,099	874,669	(6,054)
Treasury stock, at cost	-	-	-	-	-	-
Accumulated other comprehensive loss	-	-	-	-	-	-
Deferred compensation trust	-	-	-	-	-	-
Total Shareholders' Equity (Deficit)	504,081,905	(9,746,003)	(15,750,664)	5,297,199	875,669	(5,054)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 504,081,786	\$ (9,746,113)	\$ (15,750,664)	\$ 5,296,839	\$ 875,359	\$ (5,314)

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

W. R. Grace & Co. - Chapter 11 Filing Entities

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	Coalgrace II, Inc.	Gracoal II, Inc.	Gracoal, Inc.	Grace Drilling Company	Grace Petroleum Libya, Incorporated	Axial Basin Ranch Company
ASSETS						
Current Assets						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables, net						
Receivables from/(payables to) filing and non-filing entities, net	108,080	130,215,533	145,239,206	(81,115,113)	47,407,796	
Inventories						
Deferred income taxes						
Other current assets						
Total Current Assets	108,080	130,215,533	145,239,206	(81,115,113)	47,407,796	
Properties and equipment, net						
Goodwill						
Cash value of company owned life insurance, net of policy loans						
Deferred income taxes						
Asbestos-related insurance receivable						
Loans receivable from/(payable to) filing and non-filing entities, net						
Investment in filing and non-filing entities						
Other assets						
Total Assets	\$ 108,080	\$ 130,215,533	\$ 145,239,206	\$ (81,115,113)	\$ 47,407,796	
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)						
Liabilities Not Subject to Compromise						
Current Liabilities						
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable						
Income taxes payable						
Asbestos-related liability expected to be disbursed within one year						
Other current liabilities						
Total Current Liabilities	-	-	-	-	-	
Debt payable after one year						
Deferred income taxes		25,789,979	25,789,979			
Minority interest in consolidated entities						
Asbestos-related liability expected to be disbursed after one year						
Other liabilities						
Total Liabilities Not Subject to Compromise	-	25,789,979	25,789,979	-	-	
Liabilities Subject to Compromise						
Debt, pre-petition plus accrued interest						
Accounts payable						
Income taxes payable	(360)	3,237,482	3,237,657	(480)	(110)	
Asbestos-related liability						
Other liabilities						
Total Liabilities Subject to Compromise	(360)	3,237,482	3,237,657	(480)	(110)	
Total Liabilities	(360)	29,027,461	29,027,636	(480)	(110)	
Shareholders' Equity (Deficit)						
Preferred Stock						
Common Stock		1,000	1,000	100	124,473	1,000
Paid in capital			30,293,750	13,880,108	51,173,713	7,308,934
(Accumulated deficit)/Retained earnings	107,440		70,893,322	102,331,362	(132,412,819)	40,097,972
Treasury stock, at cost						
Accumulated other comprehensive loss						
Deferred compensation trust						
Total Shareholders' Equity (Deficit)	108,440	101,188,072	116,211,570	(81,114,633)	47,407,906	
Total Liabilities and Shareholders' Equity (Deficit)	\$ 108,080	\$ 130,215,533	\$ 145,239,206	\$ (81,115,113)	\$ 47,407,796	

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

W. R. Grace & Co. - Chapter 11 Filing Entities

Combining Balance Sheet

MOR - 3

February 28, 2007

	Hayden-Culch West Coal Company	H-G Coal Company	Eliminations between Filing Entities	Conversion to Equity Method	Reporting Reclasses
ASSETS					
Current Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts and other receivables, net	-	-	-	-	200,000
Receivables from/(payables to) filing and non-filing entities, net	-	-	-	-	
Inventories	-	-	-	-	
Deferred income taxes	-	-	-	-	(5,449,795)
Other current assets	-	-	-	-	
Total Current Assets	-	-	-	-	(5,249,795)
Properties and equipment, net	-	-	-	-	-
Goodwill	-	-	-	-	-
Cash value of company owned life insurance, net of policy loans	-	-	-	-	
Deferred income taxes	-	-	-	-	(394,248,276)
Asbestos-related insurance receivable	-	-	-	-	-
Loans receivable from/(payable to) filing and non-filing entities, net	-	-	-	-	
Investment in filing and non-filing entities	-	-	(1,326,102,717)	480,209,184	1,800,000
Other assets	-	-	(1,101,282)	-	-
Total Assets	\$ -	\$ -	\$ (1,327,203,999)	\$ 480,209,184	\$ (397,698,071)
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)					
Liabilities Not Subject to Compromise					
Current Liabilities					
Debt payable within one year	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-
Income taxes payable	-	-	-	-	-
Asbestos-related liability expected to be disbursed within one year	-	-	-	-	
Other current liabilities	-	-	(200,000)	-	(1,829,945)
Total Current Liabilities	-	-	(200,000)	-	(1,829,945)
Debt payable after one year	-	-	-	-	-
Deferred income taxes	-	-	-	-	(394,248,276)
Minority interest in consolidated entities	-	-	-	-	
Asbestos-related liability expected to be disbursed after one year	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total Liabilities Not Subject to Compromise	-	-	(200,000)	-	(396,078,221)
Liabilities Subject to Compromise					
Debt, pre-petition plus accrued interest	-	-	-	-	-
Accounts payable	-	-	-	-	-
Income taxes payable	-	-	-	-	-
Asbestos-related liability	-	-	-	-	-
Other liabilities	-	-	-	-	(9,419,850)
Total Liabilities Subject to Compromise	-	-	-	-	(9,419,850)
Total Liabilities	-	-	(200,000)	-	(405,498,071)
Shareholders' Equity (Deficit)					
Preferred Stock	-	-	-	-	-
Common Stock	-	-	(86,493,960)	-	-
Paid in capital	-	-	(1,222,570,000)	-	-
(Accumulated deficit)/Retained earnings	-	-	(18,040,039)	536,920,030	2,000,000
Treasury stock, at cost	-	-	-	-	-
Accumulated other comprehensive loss	-	-	100,000	(56,710,846)	5,800,000
Deferred compensation trust	-	-	-	-	-
Total Shareholders' Equity (Deficit)	-	-	(1,327,003,999)	480,209,184	7,800,000
Total Liabilities and Shareholders' Equity (Deficit)	\$ -	\$ -	\$ (1,327,203,999)	\$ 480,209,184	\$ (397,698,071)

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

W. R. Grace & Co. - Chapter 11 Filing Entities
 Combining Balance Sheet
 MOR - 3
 February 28, 2007

	COMBINED FILING ENTITIES
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 185,365,667
Accounts and other receivables, net	133,785,364
Receivables from/(payables to) filing and non-filing entities, net	75,205,115
Inventories	81,184,226
Deferred income taxes	27,981,088
Other current assets	22,073,507
Total Current Assets	525,594,967
Properties and equipment, net	393,345,716
Goodwill	25,471,648
Cash value of company owned life insurance, net of policy loans	90,829,912
Deferred income taxes	691,813,019
Asbestos-related insurance receivable	500,000,000
Loans receivable from/(payable to) filing and non-filing entities, net	239,999,517
Investment in filing and non-filing entities	679,904,011
Other assets	65,885,941
Total Assets	\$ 3,212,844,731
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)	
Liabilities Not Subject to Compromise	
Current Liabilities	
Debt payable within one year	\$ -
Accounts payable	74,554,824
Income taxes payable	268
Asbestos-related liability expected to be disbursed within one year	-
Other current liabilities	142,289,747
Total Current Liabilities	216,844,839
Debt payable after one year	-
Deferred income taxes	-
Minority interest in consolidated entities	58,703,963
Asbestos-related liability expected to be disbursed after one year	-
Other liabilities	242,089,174
Total Liabilities Not Subject to Compromise	517,637,976
Liabilities Subject to Compromise	
Debt, pre-petition plus accrued interest	750,329,173
Accounts payable	31,697,481
Income taxes payable	135,791,414
Asbestos-related liability	1,700,000,000
Other liabilities	611,287,714
Total Liabilities Subject to Compromise	3,229,105,782
Total Liabilities	3,746,743,758
Shareholders' Equity (Deficit)	
Preferred Stock	112
Common Stock	814,075
Paid in capital	426,843,863
(Accumulated deficit)/Retained earnings	(488,837,217)
Treasury stock, at cost	(85,924,171)
Accumulated other comprehensive loss	(386,795,690)
Deferred compensation trust	100
Total Shareholders' Equity (Deficit)	(533,899,028)
Total Liabilities and Shareholders' Equity (Deficit)	\$ 3,212,844,731

Note #3

Certain contingent liabilities of divested businesses are included on the balance sheet of W. R. Grace & Co. - Conn as it is not practical to determine which Debtor bears the ultimate obligation.

Chart 5

W. R. Grace & Co. - Conn
Status of Postpetition Taxes
MOR-4
February 28, 2007

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ 179	\$ 2,045,079	\$ (2,045,258)	\$ -
FICA - Employee	5,338	1,171,926	(1,171,853)	5,411
FICA and payroll- Employer	816,979	1,771,927	(1,316,959)	1,271,947
Unemployment	-	34,819	(34,819)	-
Other	-	191,403	(191,403)	-
Total Federal Taxes	\$ 822,496	\$ 5,215,154	\$ (4,760,292)	\$ 1,277,358
State and Local				
Withholding	\$ 62	\$ 702,922	\$ (702,984)	\$ -
Sales & Use	1,015,277	307,598	(331,303)	991,572
Property Taxes	1,891,973	400,666	(346,169)	1,946,470
Other	-	89,726	(89,726)	-
Total State and Local	\$ 2,907,312	\$ 1,500,912	\$ (1,470,182)	\$ 2,938,042
Total Taxes	\$ 3,729,808	\$ 6,716,066	\$ (6,230,474)	\$ 4,215,400

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR - 5) for attestation related to accounts payable and tax obligations.

Chart 5

Remedium Group, Inc.
Status of Postpetition Taxes
MOR-4
February 28, 2007

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ (283)	\$ 28,770	\$ (28,770)	\$ (283)
FICA - Employee	-	10,593	(10,593)	-
FICA and payroll- Employer	-	10,593	(10,593)	-
Unemployment	-	15	(15)	-
Other	-	238	(238)	-
Total Federal Taxes	\$ (283)	\$ 50,209	\$ (50,209)	\$ (283)
State and Local				
Withholding	\$ -	\$ 1,234	\$ (1,234)	\$ -
Sales & Use	-	-	-	-
Property Taxes	-	-	-	-
Other	-	-	-	-
Total State and Local	\$ -	\$ 1,234	\$ (1,234)	\$ -
Total Taxes	\$ (283)	\$ 51,443	\$ (51,443)	\$ (283)

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR - 5) for attestation related to accounts payable and tax obligations.

Chart 5

Grace Washington, Inc.
Status of Postpetition Taxes
MOR-4
February 28, 2007

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ (3)	\$ 4,098	\$ (4,098)	\$ (3)
FICA - Employee	3	1,341	(1,341)	3
FICA and payroll- Employer	3	1,341	(1,341)	3
Unemployment	-	-	-	-
Other	-	-	-	-
Total Federal Taxes	\$ 3	\$ 6,780	\$ (6,780)	\$ 3
State and Local				
Withholding	\$ -	\$ 866	\$ (866)	\$ -
Sales & Use	-	-	-	-
Property Taxes	-	-	-	-
Other	-	-	-	-
Total State and Local	\$ -	\$ 866	\$ (866)	\$ -
Total Taxes	\$ 3	\$ 7,646	\$ (7,646)	\$ 3

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR - 5) for attestation related to accounts payable and tax obligations.

Chart 5

L B Realty, Inc.
Status of Postpetition Taxes
MOR-4
February 28, 2007

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ -	\$ -	\$ -	\$ -
FICA - Employee	-	-	-	-
FICA and payroll- Employer	-	-	-	-
Unemployment	-	-	-	-
Other	-	-	-	-
Total Federal Taxes	\$ -	\$ -	\$ -	\$ -
State and Local				
Withholding	\$ -	\$ -	\$ -	\$ -
Sales & Use	-	-	-	-
Property Taxes	-	-	-	-
Other	-	-	-	-
Total State and Local	\$ -	\$ -	\$ -	\$ -
Total Taxes	\$ -	\$ -	\$ -	\$ -

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR - 5) for attestation related to accounts payable and tax obligations.

Chart 5

Darex Puerto Rico, Inc.
Status of Postpetition Taxes
MOR-4
February 28, 2007

	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability
Federal				
Withholding	\$ -	\$ -	\$ -	\$ -
FICA - Employee	-	611	(611)	-
FICA and payroll- Employer	219	611	(611)	219
Unemployment	-	62	(62)	-
Other	-	445	(445)	-
Total Federal Taxes	\$ 219	\$ 1,729	\$ (1,729)	\$ 219
State and Local				
Withholding	\$ -	\$ 1,024	\$ (1,024)	\$ -
Sales & Use	4,482	369	-	4,851
Property Taxes	429,936	4,063	-	433,999
Other	-	-	-	-
Total State and Local	\$ 434,418	\$ 5,456	\$ (1,024)	\$ 438,850
Total Taxes	\$ 434,637	\$ 7,185	\$ (2,753)	\$ 439,069

Note #4

Grace's information systems do not provide the detailed nature of invoices in Accounts Payable. See Debtor Questionnaire (Chart 7, MOR - 5) for attestation related to accounts payable and tax obligations.

Chart 6

W. R. Grace & Co. - Conn
Accounts Receivable Reconciliation and Aging
MOR-5
February 2007

Trade Accounts Receivable Reconciliation	
Trade accounts receivable, beginning of month, gross	\$ 115,436,205
Amounts billed during the period	\$ 76,566,984
Amounts collected during the period	\$ (69,231,375)
Other	\$ 5,843,018
Trade accounts receivable at the end of month, gross	\$ 128,614,832
Trade Accounts Receivable Aging	
Current	\$ 101,725,303
1-30 days past due	\$ 18,841,620
31-60 days past due	\$ 6,982,161
+61 days past due	\$ 1,065,748
Trade accounts receivable, gross	\$ 128,614,832
Allowance for doubtful accounts	\$ (3,846,584)
Trade accounts receivable, net	\$ 124,768,248
Notes and Accounts Receivable Reconciliation	
Trade accounts receivable, net	\$ 124,768,248
Customer notes and drafts receivable	\$ 890,296
Pending customer credit notes	\$ (683,134)
Advances and deposits	\$ 4,125,877
Nontrade receivables, net	\$ 2,873,448
Total notes and accounts receivable, net	\$ 131,974,735

Chart 6

Darex Puerto Rico, Inc.
Accounts Receivable Reconciliation and Aging
MOR-5
February 2007

Trade Accounts Receivable Reconciliation

Trade accounts receivable, beginning of month, gross	\$ 1,897,937
Amounts billed during the period	388,567
Amounts collected during the period	(519,313)
Other	10,508
Trade accounts receivable at the end of month, gross	\$ 1,777,699

Trade Accounts Receivable Aging

Current	\$ 1,189,176
1-30 days past due	233,181
31-60 days past due	164,910
+61 days past due	190,432
Trade accounts receivable, gross	1,777,699
Allowance for doubtful accounts	(197,936)
Trade accounts receivable, net	\$ 1,579,763

Notes and Accounts Receivable Reconciliation

Trade accounts receivable, net	\$ 1,579,763
Customer notes and drafts receivable	-
Pending customer credit notes	-
Advances and deposits	-
Nontrade receivables, net	-
Total notes and accounts receivable, net	\$ 1,579,763

Chart 6

Remedium Group, Inc.
Accounts Receivable Reconciliation and Aging
MOR-5
February 2007

Trade Accounts Receivable Reconciliation

Trade accounts receivable, beginning of month, gross	\$ -
Amounts billed during the period	-
Amounts collected during the period	-
Other	-
Trade accounts receivable at the end of month, gross	\$ -

Trade Accounts Receivable Aging

Current	\$ -
1-30 days past due	-
31-60 days past due	-
+61 days past due	-
Trade accounts receivable, gross	-
Allowance for doubtful accounts	-
Trade accounts receivable, net	\$ -

Notes and Accounts Receivable Reconciliation

Trade accounts receivable, net	\$ -
Customer notes and drafts receivable	-
Pending customer credit notes	-
Advances and deposits	-
Nontrade receivables, net	40,037
Total notes and accounts receivable, net	\$ 40,037

Chart 6

Grace Europe, Inc.
Accounts Receivable Reconciliation and Aging
MOR-5
February 2007

Trade Accounts Receivable Reconciliation

Trade accounts receivable, beginning of month, gross	\$ -
Amounts billed during the period	-
Amounts collected during the period	-
Other	-
Trade accounts receivable at the end of month, gross	\$ -

Trade Accounts Receivable Aging

Current	\$ -
1-30 days past due	-
31-60 days past due	-
+61 days past due	-
Trade accounts receivable, gross	-
Allowance for doubtful accounts	-
Trade accounts receivable, net	\$ -

Notes and Accounts Receivable Reconciliation

Trade accounts receivable, net	\$ -
Customer notes and drafts receivable	-
Pending customer credit notes	-
Advances and deposits	-
Nontrade receivables, net	99,257
Total notes and accounts receivable, net	\$ 99,257

Chart 6

Gloucester New Communities Company, Inc.
Accounts Receivable Reconciliation and Aging
MOR-5
February 2007

Trade Accounts Receivable Reconciliation

Trade accounts receivable, beginning of month, gross	\$ -
Amounts billed during the period	-
Amounts collected during the period	-
Other	-
Trade accounts receivable at the end of month, gross	\$ -

Trade Accounts Receivable Aging

Current	\$ -
1-30 days past due	-
31-60 days past due	-
+61 days past due	-
Trade accounts receivable, gross	-
Allowance for doubtful accounts	-
Trade accounts receivable, net	\$ -

Notes and Accounts Receivable Reconciliation

Trade accounts receivable, net	\$ -
Customer notes and drafts receivable	-
Pending customer credit notes	-
Advances and deposits	-
Nontrade receivables, net	91,572
Total notes and accounts receivable, net	\$ 91,572

Chart 7

W.R. Grace & Co., et al
 Debtor Questionnaire
 MOR - 5
 February 2007

	Yes	No
1. Have any assets been sold or transferred outside the normal course of business this reporting period? If yes, provide an explanation below.		X
2. Have any funds been disbursed from any account other than a debtor in possession account for this reporting period? If yes, provide an explanation below.		See Note #5 below
3. Have all postpetition tax returns been timely filed? If no, provide an explanation below.	X	
4. Are workers compensation, general liability and other necessary insurance coverages in affect? If no, provide and explanation below.	X	
5. Are post-petition accounts payable and tax obligations current and paid to date? If no, provide an explanation.	X (unless disputed in normal course of business)	

Note #5

As part of the first day orders submitted to the court on April 2, 2001, an application for the Debtors to (a) continue and maintain their consolidated cash management system, (b) continue and maintain their existing bank accounts and (c) continue to use existing business forms and granting related relief was included. The Debtors have continued to use their existing bank accounts and no new debtor in possession accounts have been established.

List assets sold/transferred outside the normal course of business over \$25,000:		
Description of Asset	Sale Date	Proceeds

Combined Chapter 11 Filing Entity Statements

Chart 8

In millions	W. R. Grace & Co. - Chapter 11 Filing Entities Combined Statements of Operations			
	Month Ended February 28,		Two Months Ended February 28,	
	2007	2006	2007	2006
Net sales to third parties	\$ 77.0	\$ 75.7	\$ 159.0	\$ 150.6
Net sales to non-filing entities	33.3	30.1	69.3	74.9
Interest and royalties from non-filing entities	4.7	2.1	6.5	4.1
	115.0	107.9	234.8	229.6
Cost of goods sold to third parties	58.0	54.4	113.1	112.4
Cost of goods sold to non-filing entities	27.7	26.0	56.7	63.6
Selling, general and administrative expenses	21.8	22.6	45.6	47.6
Depreciation and amortization	4.5	4.8	9.0	9.6
Research and development expenses	4.2	3.0	7.3	6.4
Net pension expense	3.6	3.7	7.2	7.5
Interest expense	5.9	5.5	12.6	10.5
Other (income) expense, net	(2.9)	1.0	(2.8)	0.6
Provision for asbestos-related litigation, net of estimated insurance recovery	-	-	-	-
Provision for environmental remediation	-	-	-	-
Chapter 11 expenses, net of interest income	6.8	3.8	11.7	4.9
	129.6	124.8	260.4	263.1
Income (loss) before income taxes and equity in net income of non-filing entities	(14.6)	(16.9)	(25.6)	(33.5)
Benefit from (provision for) income taxes	0.2	2.6	(0.8)	6.0
Income (loss) before equity in net income of non-filing entities	(14.4)	(14.3)	(26.4)	(27.5)
Equity in net income of non-filing entities	9.7	13.9	25.1	27.1
Net income (loss)	\$ (4.7)	\$ (0.4)	\$ (1.3)	\$ (0.4)

The Notes to Combined Financial Statements are an integral part of these statements.

W. R. Grace & Co. - Chapter 11 Filing Entities

Combined Functional Basis Statements of Cash Flows

<i>In millions</i>	Month Ended February 28, 2007	Two Months Ended February 28, 2007	Two Months Ended February 28, 2006
<u>Core operations cash flow</u>			
Pre-tax income from core operations	\$ (2.2)	\$ 0.7	\$ (9.2)
Depreciation and amortization	4.5	9.0	9.6
Payments to fund defined benefit pension arrangements	2.3	9.7	0.4
Change in Non-Filing entity operating loans including interest payments and Investment	(0.4)	(17.1)	(9.6)
Changes in all core assets/liabilities and other	0.1	0.6	-
Core Pre-tax Operating Cash Flow	(5.7)	(24.9)	(31.0)
Capital expenditures	(4.8)	(8.7)	(13.2)
Core Pre-tax Operating Free Cash Flow	(10.5)	(33.6)	(44.2)
<u>Charges against core reserves</u>			
Deferred compensation	-	-	-
Self insurance	(0.2)	(0.3)	(0.1)
Total Spending Against Core Reserves	(0.2)	(0.3)	(0.1)
Net Core Cash Flow	(10.7)	(33.9)	(44.3)
<u>Noncore cash flow</u>			
Proceeds from asset sales	-	-	-
Cash paid to resolve contingencies subject to Chapter 11	-	-	-
Proceeds from sale of business	-	-	-
Legal fees	(0.6)	(1.6)	(5.3)
Other noncore pre-tax cash flow	(0.6)	(1.5)	(1.4)
Noncore Pre-tax Cash Flow	(1.2)	(3.1)	(6.7)
<u>Charges against noncore reserves</u>			
Environmental remediation	(1.0)	(1.8)	(1.8)
Retained obligations and other	-	(0.3)	(0.5)
Postretirement benefits	(1.5)	0.4	(1.8)
Total Spending Against Noncore Reserves	(2.5)	(1.7)	(4.1)
Noncore Cash Flow	(3.7)	(4.8)	(10.8)
Total Pre-tax/Pre-interest/Pre-Chapter 11 Cash Flow	(14.4)	(38.7)	(55.1)
Cash paid for taxes, net of refunds	(0.1)	(10.4)	(0.3)
Cash paid for interest, net	0.5	0.5	-
Chapter 11 expenses paid	(7.5)	(14.0)	(5.9)
Interest income on filing entity cash balances	0.6	1.4	1.3
Cash Flow before Strategic Investments	(20.9)	(61.2)	(60.0)
<u>Strategic Investments</u>			
Cash paid for businesses acquired	-	-	-
Dividends received from non-filing entities	-	-	-
Proceeds from exercise of stock options	9.0	13.1	1.1
Cash used for Strategic Investments	9.0	13.1	1.1
Cash Flow after Strategic Investments	(11.9)	(48.1)	(58.9)
Fees under debtor-in-possession credit facility	(0.3)	(0.5)	(0.4)
Net (investing)/financing activities under life insurance policies	0.2	0.2	(0.2)
Net Cash Flow	\$ (12.0)	\$ (48.4)	\$ (59.5)

The Notes to Combined Financial Statements are an integral part of these statements.

Chart 10

W. R. Grace & Co. - Chapter 11 Filing Entities				
Combined Balance Sheets				
<i>In millions</i>	February 28, 2007	December 31, 2006	April 2, 2001	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 185.4	\$ 233.8	\$ 8.6	
Trade accounts receivable, less allowance of \$4.0 (2006 - \$3.7, Filing Date - \$0.7)	126.6	117.9	32.3	
Receivables from non-filing entities, net	75.1	53.2	51.2	
Inventories	81.2	72.9	80.6	
Deferred income taxes	28.0	29.0	80.9	
Asbestos-related insurance expected to be realized within one year	-	-	17.0	
Other current assets	29.3	31.9	33.4	
Total Current Assets	525.6	538.7	304.0	
Properties and equipment, net	393.3	394.5	400.4	
Goodwill	25.5	25.5	13.6	
Cash value of life insurance policies, net of policy loans	90.8	89.2	64.1	
Deferred income taxes	691.8	687.1	401.0	
Asbestos-related insurance expected to be realized after one year	500.0	500.0	323.4	
Loans receivable from non-filing entities, net	240.0	237.7	387.5	
Investment in non-filing entities	679.9	660.3	121.0	
Other assets	66.0	65.3	308.5	
Total Assets	\$ 3,212.9	\$ 3,198.3	\$ 2,323.5	
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)				
Liabilities Not Subject to Compromise				
Current Liabilities				
Accounts payable	\$ 74.6	\$ 63.5	\$ -	
Other current liabilities	142.5	148.5	-	
Total Current Liabilities	217.1	212.0	-	
Minority interest in consolidated entities	58.7	58.4	0.3	
Other liabilities	242.0	256.1	31.5	
Total Liabilities Not Subject to Compromise	517.8	526.5	31.8	
Liabilities Subject to Compromise				
Debt, pre-petition plus accrued interest	750.3	739.5	511.5	
Accounts payable	31.7	31.7	43.0	
Income taxes payable	135.8	141.2	242.1	
Asbestos-related liability	1,700.0	1,700.0	1,002.8	
Other liabilities	611.3	609.2	566.6	
Total Liabilities Subject to Compromise	3,229.1	3,221.6	2,366.0	
Total Liabilities	3,746.9	3,748.1	2,397.8	
Shareholders' Equity (Deficit)				
Common stock	0.8	0.8	0.8	
Paid in capital	426.8	423.8	432.6	
Accumulated deficit	(488.9)	(487.6)	(201.8)	
Treasury stock, at cost	(85.9)	(96.0)	(136.4)	
Accumulated other comprehensive loss	(386.8)	(390.8)	(169.5)	
Total Shareholders' Equity (Deficit)	(534.0)	(549.8)	(74.3)	
Total Liabilities and Shareholders' Equity (Deficit)	\$ 3,212.9	\$ 3,198.3	\$ 2,323.5	

The Notes to Combined Financial Statements are an integral part of these statements.

W. R. Grace & Co.
Notes to Combined Financial Statements
February 28, 2007

1. Basis of Presentation and Summary of Significant Accounting and Financial Reporting Policies

W. R. Grace & Co., through its subsidiaries, is engaged in specialty chemicals and specialty materials businesses on a worldwide basis through two operating segments: "Grace Davison," which includes silica- and alumina-based catalysts and materials used in a wide range of industrial applications; and "Grace Performance Chemicals," which includes specialty chemicals and materials used in commercial and residential construction and in rigid food and beverage packaging.

W. R. Grace & Co. conducts substantially all of its business through a direct, wholly-owned subsidiary, W. R. Grace & Co.-Conn. ("Grace-Conn."). Grace-Conn. owns substantially all of the assets, properties and rights of W. R. Grace & Co. on a consolidated basis, either directly or through subsidiaries.

As used in these notes, the term "Company" refers to W. R. Grace & Co. The term "Grace" refers to the Company and/or one or more of its subsidiaries and, in certain cases, their respective predecessors.

Voluntary Bankruptcy Filing – During 2000 and the first quarter of 2001, Grace experienced several adverse developments in its asbestos-related litigation, including: a significant increase in personal injury claims, higher than expected costs to resolve personal injury and certain property damage claims, and class action lawsuits alleging damages from Zonolite Attic Insulation ("ZAI") a former Grace attic insulation product.

After a thorough review of these developments, the Board of Directors concluded that a federal court-supervised bankruptcy process provided the best forum available to achieve fairness in resolving these claims and on April 2, 2001 (the "Filing Date"), Grace and 61 of its United States subsidiaries and affiliates, including Grace-Conn. (collectively, the "Debtors"), filed voluntary petitions for reorganization (the "Filing") under Chapter 11 of the United States

Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The cases were consolidated and are being jointly administered under case number 01-01139 (the "Chapter 11 Cases"). Grace's non-U.S. subsidiaries and certain of its U.S. subsidiaries were not included in the Filing.

Under Chapter 11, the Debtors have continued to operate their businesses as debtors-in-possession under court protection from creditors and claimants, while using the Chapter 11 process to develop and implement a plan for addressing the asbestos-related claims. Since the Filing, all motions necessary to conduct normal business activities have been approved by the Bankruptcy Court. (See Note 2 for Chapter 11-Related Information.)

Basis of Presentation – The interim Combined Financial Statements presented herein represent the results of operations, cash flows and financial position of the Debtors. These financial statements pertain to periods beginning with, and subsequent to, the Filing Date and have been prepared in conformity with requirements of the Bankruptcy Court. Consequently, these financial statements do not purport to present the financial performance of W. R. Grace & Co. in conformity with U.S. generally accepted accounting principles which would require the consolidation of all controlled subsidiaries and more extensive notes and analysis related to the worldwide operations of W. R. Grace & Co. Financial activity of non-Debtor entities is not presented herein. However, all non-Debtor entities are either directly or indirectly controlled by the Debtors and, accordingly, non-Debtor financial results are reflected under the equity method of accounting. These financial statements are unaudited and should be read in conjunction with the consolidated financial statements presented in the Company's 2006 Annual Report on Form 10-K and other periodic filings with the U.S. Securities and Exchange Commission.

These interim Combined Financial Statements reflect all adjustments that, in the opinion of

management, are necessary for a fair presentation of the results of the interim periods presented under U.S. generally accepted accounting principles; all such adjustments are of a normal recurring nature. All significant inter-Debtor accounts and transactions have been eliminated. Transactions and balances with non-Debtor entities are separately disclosed.

The results of operations for the two-months interim period ended February 28, 2007 are not necessarily indicative of the results of operations for the year ending December 31, 2007.

Reclassifications – Certain amounts in prior years' Combined Financial Statements have been reclassified to conform to the 2007 presentation. Such reclassifications have not materially affected previously reported amounts in the Combined Financial Statements.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires that management make estimates and assumptions affecting the assets and liabilities reported at the date of the Consolidated Financial Statements, and the revenues and expenses reported for the periods presented. Actual amounts could differ from those estimates, and the differences could be material. Changes in estimates are recorded in the period identified. Grace's accounting measurements that are most affected by management's estimates of future events are:

- Contingent liabilities which depend on an assessment of the probability of loss and an estimate of ultimate resolution cost, such as asbestos-related matters, environmental remediation, income taxes, and litigation;
- Pension and postretirement liabilities that depend on assumptions regarding participant life spans, future inflation, discount rates and total returns on invested funds;

- Realization values of net deferred tax assets and insurance receivables, which depend on projections of future income and cash flows and assessments of insurance coverage and insurer solvency.

The accuracy of these and other estimates may also be materially affected by the uncertainties arising under Grace's Chapter 11 proceeding.

Effect of New Accounting Standards – In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." SFAS No. 158 requires an employer to recognize the funded status of defined benefit pension plans and other postretirement benefit plans as an asset or liability in its statement of financial position, and requires recognition in other comprehensive income of gains or losses and prior service costs or credits arising during the period but which are not included as components of net periodic benefit cost. Grace adopted SFAS No. 158 effective for the year ended December 31, 2006. The impact to Grace's December 31, 2006 Consolidated Balance Sheet (filing and non-filing entities), after tax effects, was to decrease total assets by approximately \$44.1 million, increase total liabilities by approximately \$58.2 million and increase shareholders' deficit by approximately \$102.3 million. The adoption of SFAS No. 158 did not result in a material impact to Grace's consolidated results of operations.

In September 2006, the FASB Emerging Issues Task Force ("EITF") promulgated Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements." This Issue specifies that if a company provides a benefit to an employee under an endorsement split-dollar life insurance arrangement that extends to postretirement periods, it would have to recognize a liability and related compensation costs. Grace will adopt EITF 06-4 effective in the first quarter of 2008, and has

not yet assessed the estimated impact to its Consolidated Financial Statements.

In September 2006, the EITF promulgated Issue No. 06-5, "Accounting for Purchases of Life Insurance—Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, *Accounting for Purchases of Life Insurance*." Companies can choose to purchase life insurance policies to fund the cost of employee benefits or to protect against the loss of key persons, and receive tax-free death benefits. These policies are commonly referred to as corporate-owned life insurance (COLI). This Issue clarifies whether the policyholder should consider additional amounts from the policy other than the cash surrender value in determining the amount that could be realized under the insurance contract, or whether a policyholder should consider the contractual ability to surrender all individual life policies at the same time in determining the amount that could be realized under the insurance contract. Grace will adopt EITF 06-5 effective in the first quarter of 2007; it is not expected to materially impact the Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Grace will adopt SFAS No. 157 effective in the first quarter of 2008, and has not yet assessed the estimated impact to its Consolidated Financial Statements.

In September 2006, the SEC Staff released Staff Accounting Bulletin ("SAB") 108. SAB 108 expresses the SEC Staff's views regarding the process of quantifying financial statement misstatements. Grace has applied the guidance in SAB 108 effective for the fourth quarter ended December 31, 2006.

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"), which prescribes a recognition threshold and measurement attribute for tax positions taken or expected to

be taken in tax returns. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. Grace is required to adopt FIN 48 in the first quarter of 2007, and is currently evaluating the impact to its Consolidated Financial Statements.

2. Chapter 11-Related Information

Official Parties to Grace's Chapter 11 Proceedings – Three creditors' committees, two representing asbestos claimants and the third representing other unsecured creditors, and a committee representing shareholders, have been appointed in the Chapter 11 Cases. These committees, and a legal representative of future asbestos claimants, have the right to be heard on all matters that come before the Bankruptcy Court and are likely to play important roles in the Chapter 11 Cases. The Debtors are required to bear certain costs and expenses of the committees and of the representative of future asbestos claimants, including those of their counsel and financial advisors.

Plan of Reorganization – On November 13, 2004 Grace filed a plan of reorganization, as well as several associated documents, including a disclosure statement, with the Bankruptcy Court. On January 13, 2005, Grace filed an amended plan of reorganization (the "Plan") and related documents to address certain objections of creditors and other interested parties. The Plan is supported by committees representing general unsecured creditors and equity holders, but is not supported by committees representing asbestos personal injury claimants and asbestos property damage claimants or the representative of future asbestos claimants.

Under the terms of the Plan, a trust would be established under Section 524(g) of the Bankruptcy Code to which all pending and future asbestos-related claims would be channeled for resolution. Grace has requested that the Bankruptcy Court conduct an estimation hearing to determine the amount that would need to be paid into the trust on the effective date of the Plan to satisfy the

estimated liability for all classes of asbestos claimants and trust administration costs and expenses over time. The Plan provides that Grace's asbestos-related liabilities would be satisfied using cash and securities from Grace and third parties.

The Plan will become effective only after a vote of eligible creditors and with the approval of the Bankruptcy Court and the U.S. District Court for the District of Delaware. Votes on the Plan may not be solicited until the Bankruptcy Court approves the disclosure statement. The Bankruptcy Court has currently deferred consideration of the disclosure statement and Plan until after completion of estimation hearings on the amount of Grace's asbestos-related liability. The Debtors have received extensions of their exclusive right to propose a plan of reorganization through July 23, 2007. The committees representing asbestos claimants and the future claimants' representative have appealed the extension of exclusivity to the Third Circuit Court of Appeals.

Under the terms of the Plan, claims will be satisfied under the Chapter 11 Cases as follows:

Asbestos-Related Claims and Costs

A trust would be established under Section 524(g) of the Bankruptcy Code to which all pending and future asbestos-related claims would be channeled for resolution. The trust would utilize specified trust distribution procedures to satisfy the following allowed asbestos-related claims and costs:

1. *Personal injury claims that meet specified exposure and medical criteria (Personal Injury-Symptomatic Eligible or "PI-SE" Claims)* – In order to qualify for this class, claimants would have to prove that their health is impaired from meaningful exposure to asbestos-containing products formerly manufactured by Grace.
2. *Personal injury claims that do not meet the exposure and medical criteria necessary to qualify as PI-SE Claims*

(Personal Injury-Asymptomatic and Other or "PI-AO" Claims) – This class would contain all asbestos-related personal injury claims against Grace that do not meet the specific requirements to be PI-SE Claims, but do meet certain other specified exposure and medical criteria.

3. *Property damage claims, including claims related to ZAI ("PD Claims")* – In order to qualify for this class, claimants would have to prove Grace liability for loss of property value or remediation costs related to products formerly manufactured by Grace that claimants allege contained asbestos.
4. *Trust administration costs and legal expenses.*

The claims arising from such proceedings would be subject to this classification process as part of the Plan.

The Bankruptcy Court has entered separate case management orders for estimating liability for pending and future personal injury claims and adjudicating pending property damage claims, excluding ZAI claims. Trial dates for estimating liability for personal injury claims are currently scheduled to begin in September 2007. Hearings for the adjudication of various issues regarding property damage claims are currently scheduled to take place during the second quarter of 2007. The Debtors expect that the estimated liability for all asbestos-related claims may provide the basis for determining the amount to be paid into a trust on the effective date of a plan of reorganization.

Under the Plan, asbestos personal injury claimants, including both PI-SE and PI-AO claims, would have the option either to litigate their claims against the trust in federal court in Delaware or, if they meet specified eligibility criteria, accept a settlement amount based on the severity of their condition. Under the Plan, asbestos property damage claimants would be required to litigate their claims against the trust in federal court in Delaware. The Plan provides

that, as a condition precedent to confirmation, the maximum estimated aggregate funding amount for all asbestos-related liabilities (PI-SE, PI-AO and PD including ZAI) and trust administration costs and expenses as determined by the Bankruptcy Court cannot exceed \$1,613 million, which Grace believes would fund over \$2 billion in claims, costs and expenses over time.

The PI-SE Claims, the PD Claims and the related trust administration costs and expenses would be funded with (1) a payment of \$512.5 million in cash (plus interest at 5.5% compounded annually from December 21, 2002) and nine million shares of common stock of Sealed Air Corporation ("Sealed Air") to be made directly by Cryovac, Inc., a wholly owned subsidiary of Sealed Air, ("Cryovac") to the asbestos trust pursuant to the terms of a settlement agreement resolving asbestos-related, successor liability and fraudulent transfer claims against Sealed Air and Cryovac, and (2) Grace common stock. The number of shares of Grace common stock required to satisfy these claims will depend on the price of Grace common stock on the effective date of the Plan, liability measures approved by the Bankruptcy Court, and the value of the Sealed Air settlement, which changes daily with the accrual of interest and the trading value of Sealed Air common stock. The Sealed Air settlement agreement has been approved by the Bankruptcy Court, but remains subject to the fulfillment of specified conditions.

The PI-AO Claims would be funded with warrants exercisable for that number of shares of Grace common stock which, when added to the shares issued directly to the trust on the effective date of the Plan, would represent 50.1% of Grace's voting securities. If the common stock issuable upon exercise of the warrants is insufficient to pay all PI-AO Claims (the liability for which is uncapped under the Plan), then Grace would pay any additional liabilities in cash.

Under the Plan, the amounts to fund PI-SE Claims, PD Claims and the expense of trust administration would be capped at the amount

determined by the Bankruptcy Court. Amounts required to fund PI-AO Claims would not be capped, so if the amount funded in respect thereof later proved to be inadequate, Grace would be responsible for contributing additional funds into the asbestos trust to satisfy PI-AO Claims. Because of the number and nature of the uncertainties involved, Grace is unable to determine the extent to which, if any, the liability under the Plan for PI-AO claims may exceed the amount funded into the trust in respect thereof.

Other Claims

The Plan provides that all allowed administrative or priority claims would be paid 100% in cash and all general unsecured claims, other than those covered by the asbestos trust, would be paid 85% in cash and 15% in Grace common stock. Grace estimates that claims with a recorded value of approximately \$1,241 million, including interest accrued through December 31, 2006, would be satisfied in this manner at the effective date of the Plan. Grace would finance these payments with cash on hand, cash from Fresenius Medical Care Holdings, Inc. ("Fresenius") paid in settlement of asbestos and other Grace-related claims, new Grace debt, and Grace common stock. Grace would satisfy other non-asbestos related liabilities and claims (primarily certain environmental, tax, pension and retirement medical obligations) as they become due and payable over time using cash flow from operations, insurance proceeds from policies and settlement agreements covering asbestos-related liabilities, and new credit facilities. Proceeds from available product liability insurance applicable to asbestos-related claims would supplement operating cash flow to service new debt and liabilities not paid on the effective date of the Plan.

Effect on Grace Common Stock

The Plan provides that Grace common stock will remain outstanding at the effective date of the Plan, but that the interests of existing shareholders would be subject to dilution by additional shares of common stock issued under the Plan. In addition, in order to preserve significant tax benefits from net operating loss

carryforwards ("NOLs") and certain future deductions, which are subject to elimination or limitation in the event of a change in control (as defined by the Internal Revenue Code) of Grace, the Plan places restrictions on the purchase of Grace common stock. The restrictions would prohibit (without the consent of Grace), for a period of three years, a person or entity from acquiring more than 4.75% of the outstanding Grace common stock or, for those persons already holding more than 4.75%, prohibit them from increasing or decreasing their holdings. The Bankruptcy Court has also approved the trading restrictions described above, excluding the restriction on sales, until the effective date of the Plan.

Grace intends to address all pending and future asbestos-related claims and all other pre-petition claims as outlined in the Plan. However, the Plan may not be ultimately approved by the Bankruptcy Court and other interested parties. For example, the asbestos creditors committees and representative of future asbestos claimants have challenged the confirmability of the Plan, arguing that the Plan impairs the rights of asbestos creditors and impermissibly denies them voting rights, and have asserted that Grace's asbestos-related liabilities exceed the fair value of Grace's assets. As a result of these challenges and other Bankruptcy Court rulings, a materially different plan of reorganization may ultimately be approved and, under the ultimate plan of reorganization, the interests of the Company's shareholders could be substantially diluted or cancelled. The value of Grace common stock following a plan of reorganization, and the extent of any recovery by non-asbestos-related creditors, will depend principally on the amount of Grace's asbestos-related liability under a confirmed plan of reorganization.

Claims Filings – The Bankruptcy Court established a bar date of March 31, 2003 for claims of general unsecured creditors, asbestos-related property damage claims (other than ZAI claims) and medical monitoring claims related to asbestos. The bar date did not apply to asbestos-related personal injury claims or

claims related to ZAI, which will be dealt with separately.

Approximately 14,900 proofs of claim were filed by the March 31, 2003 bar date. Of these claims, approximately 9,400 were non-asbestos related, approximately 4,300 were for asbestos-related property damage, and approximately 1,000 were for medical monitoring. The medical monitoring claims were made by individuals who allege exposure to asbestos through Grace's products or operations. These claims, if sustained, would require Grace to fund ongoing health monitoring costs for qualified claimants. In addition, approximately 800 proofs of claim were filed after the bar date.

Approximately 7,000 of the non-asbestos related claims involve claims by employees or former employees for future retirement benefits such as pension and retiree medical coverage. Grace views most of these claims as contingent and has proposed a plan of reorganization that would retain such benefits. The other non-asbestos related claims include claims for payment of goods and services, taxes, product warranties, principal and interest under pre-petition credit facilities, amounts due under leases and other contracts, leases and other executory contracts rejected in the Bankruptcy Court, environmental remediation, indemnification or contribution to actual or potential co-defendants in asbestos-related and other litigation, pending non-asbestos-related litigation, and non-asbestos-related personal injury.

The Debtors have analyzed the claims filed pursuant to the March 31, 2003 bar date and have found that many are duplicates, represent the same claim filed against more than one of the Debtors, lack any supporting documentation, or provide insufficient supporting documentation. As of December 31, 2006, the Debtors had filed objections to approximately 5,600 claims (approximately 100 of which were subsequently withdrawn by the claimant), approximately 3,950 of which were asbestos property damage claims. Of the 5,500 remaining claims objections, approximately 1,050 asbestos property damage claims have

been expunged, approximately 1,300 non-asbestos claims have been expunged, approximately 300 non-asbestos claims have been resolved, approximately 2,125 asbestos property damage claims have been withdrawn by claimants, approximately 50 non-asbestos claims have been withdrawn by claimants, and the remaining approximately 625 will be addressed pursuant to the procedures set forth in the asbestos property damage case management order approved by the Bankruptcy Court. An additional approximately 1,100 non-asbestos claims will be addressed through the claims objection process and the dispute resolution procedures approved by the Bankruptcy Court.

Grace believes that its recorded liabilities for claims subject to the March 31, 2003 bar date represent a reasonable estimate of the ultimate allowable amount for claims that are not in dispute or have been submitted with sufficient information to both evaluate the merit and estimate the value of the claim. The asbestos-related claims are considered as part of Grace's overall asbestos liability and are being accounted for in accordance with the conditions precedent under the Plan, as described in "Accounting Impact" below. Grace will adjust its recorded asbestos-related liability, as necessary, to reflect rulings by the Bankruptcy Court. Any such adjustments could be material to its consolidated financial position and results of operations.

Litigation Proceedings in Bankruptcy Court
 – In September 2000, Grace was named in a purported class action lawsuit filed in California Superior Court for the County of San Francisco, alleging that the 1996 reorganization involving a predecessor of Grace and Fresenius AG and the 1998 reorganization involving a predecessor of Grace and Sealed Air were fraudulent transfers (*Abner, et al., v. W.R. Grace & Co., et al.*). The Bankruptcy Court authorized the Official Committee of Asbestos Personal Injury Claimants and the Official Committee of Asbestos Property Damage Claimants to proceed with claims against Fresenius and Sealed Air and Cryovac on behalf of the Debtors' bankruptcy estate.

On November 29, 2002, Sealed Air (and Cryovac) and Fresenius each announced that they had reached agreements in principle with such Committees to settle asbestos, successor liability and fraudulent transfer claims related to such transactions (the "litigation settlement agreements"). Under the terms of the Fresenius settlement, subject to the fulfillment of certain conditions, Fresenius would pay \$115.0 million to the Debtors' estate as directed by the Bankruptcy Court upon confirmation of the Debtors' plan of reorganization. In July 2003, the Fresenius settlement was approved by the Bankruptcy Court. Under the terms of the Sealed Air settlement, subject to the fulfillment of certain conditions, Cryovac would make a payment of \$512.5 million (plus interest at 5.5% compounded annually, commencing on December 21, 2002) and nine million shares of Sealed Air common stock (collectively valued at \$1,221.3 million as of February 28, 2007), as directed by the Bankruptcy Court upon confirmation of the Debtors' plan of reorganization. In June 2005, the Sealed Air settlement was approved by the Bankruptcy Court.

Debt Capital – All of the Debtors' pre-petition debt is in default due to the Filing. The accompanying Consolidated Balance Sheets reflect the classification of the Debtors' pre-petition debt within "liabilities subject to compromise."

The Debtors have entered into a debtor-in-possession post-petition loan and security agreement with Bank of America, N.A. (the "DIP facility") in the aggregate amount of \$250 million. The term of the DIP facility expires on April 1, 2008.

Accounting Impact – The accompanying Consolidated Financial Statements have been prepared in accordance with Statement of Position 90-7 ("SOP 90-7"), "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code," promulgated by the American Institute of Certified Public Accountants. SOP 90-7 requires that financial statements of debtors-in-possession be

prepared on a going concern basis, which contemplates continuity of operations, realization of assets and liquidation of liabilities in the ordinary course of business. However, as a result of the Filing, the realization of certain of the Debtors' assets and the liquidation of certain of the Debtors' liabilities are subject to significant uncertainty. While operating as debtors-in-possession, the Debtors may sell or otherwise dispose of assets and liquidate or settle liabilities for amounts other than those reflected in the Consolidated Financial Statements. Further, the ultimate plan of reorganization could materially change the amounts and classifications reported in the Consolidated Financial Statements.

Pursuant to SOP 90-7, Grace's pre-petition and future liabilities that are subject to compromise are required to be reported separately on the balance sheet at an estimate of the amount that will ultimately be allowed by the Bankruptcy Court. As of February 28, 2007, such pre-petition liabilities include fixed obligations (such as debt and contractual commitments), as well as estimates of costs related to contingent liabilities (such as asbestos-related litigation, environmental remediation, and other claims). Obligations of Grace subsidiaries not covered by the Filing continue to be classified on the Consolidated Balance Sheets based upon maturity dates or the expected dates of payment. SOP 90-7 also requires separate reporting of certain expenses, realized gains and losses, and provisions for losses related to the Filing as reorganization items. Grace presents reorganization items as "Chapter 11 expenses, net of interest income," a separate caption in its Consolidated Statements of Operations.

Grace has not recorded the benefit of any assets that may be available to fund asbestos-related and other liabilities under the litigation settlements with Sealed Air and Fresenius, as such agreements are subject to conditions which, although expected to be met, have not been satisfied and confirmed by the Bankruptcy Court. The value available under these litigation settlement agreements as measured at

February 28, 2007, was \$1,336.3 million comprised of \$115.0 million in cash from Fresenius and \$1,221.3 million in cash and stock from Cryovac. Payments under the Sealed Air settlement will be paid directly to the asbestos trust by Cryovac, and will be accounted for as a satisfaction of a portion of Grace's recorded asbestos-related liability and a credit to shareholders' equity.

Grace's Consolidated Balance Sheets separately identify the liabilities that are "subject to compromise" as a result of the Chapter 11 proceedings. In Grace's case, "liabilities subject to compromise" represent both pre-petition and future liabilities as determined under U.S. generally accepted accounting principles. Changes to the recorded amount of such liabilities will be based on developments in the Chapter 11 Cases and management's assessment of the claim amounts that will ultimately be allowed by the Bankruptcy Court. Changes to pre-petition liabilities subsequent to the Filing Date reflect: 1) cash payments under approved court orders; 2) the terms of Grace's proposed plan of reorganization, as discussed above, including the accrual of interest on pre-petition debt and other fixed obligations; 3) accruals for employee-related programs; and 4) changes in estimates related to other pre-petition contingent liabilities.

Change in Liabilities Subject to Compromise – Following is a reconciliation of the changes in pre-filing date liability balances for the period from the filing date through February 28, 2007.

(In millions)	Current Month	Cumulative Since Filing
Balance, beginning of period.....	\$ 3,222.3	\$ 2,366.0
Cash disbursements and/or reclassifications under Bankruptcy Court orders:		
Freight and distribution order....	--	(5.7)
Trade accounts payable order.....	--	(9.1)
Resolution of contingencies subject to Chapter 11.....	--	(119.7)
Other court orders including employee wages and benefits, sales and use tax and customer programs	(1.9)	(341.4)
Expense/(income) items:		
Interest on pre-petition liabilities.....	6.0	287.4
Employee-related accruals.....	0.9	35.9
Change in provision for asbestos-related contingencies	--	744.8
Change in provision for environmental contingencies	--	295.6
Change in provision for income tax contingencies.....	1.8	10.4
Balance sheet reclassifications	--	(25.7)
Reclassification to current liabilities ⁽¹⁾	--	(9.4)
Balance, end of period	\$ 3,229.1	\$ 3,229.1

⁽¹⁾ As of December 31, 2006, \$9.4 million of certain pension and postretirement benefit obligations subject to compromise have been presented in other current liabilities in the Combined Balance Sheet in accordance with SFAS No. 158.

Additional liabilities subject to compromise may arise due to the rejection of executory contracts or unexpired leases, or as a result of the Bankruptcy Court's allowance of contingent or disputed claims. Beginning January 1, 2006, Grace agreed to pay interest on pre-petition bank debt at the prime rate, adjusted for periodic changes, and compounded quarterly. The effective rate for the two months ended February 28, 2007 was 8.25%. From the Filing Date through December 31, 2005, Grace accrued interest on pre-petition bank debt at a negotiated

fixed annual rate of 6.09%, compounded quarterly.

3. Other Balance Sheet Accounts

(In millions)	February 28, 2007	Filing Date
Inventories		
Raw materials	\$ 30.8	\$ 20.3
In process	23.5	16.2
Finished products.....	66.9	63.8
General merchandise.....	14.1	9.6
Less: Adjustment of certain inventories to a last-in/first-out (LIFO) basis.....	(54.1)	(29.3)
	\$ 81.2	\$ 80.6
Other Assets		
Pension assets.....	\$ 2.7	\$ 236.0
Deferred charges	33.2	40.4
Long-term receivables.....	6.9	1.9
Long-term investments.....	--	2.1
Patents, licenses and other intangible assets, net.....	23.1	25.2
Other assets.....	0.1	2.9
	\$ 66.0	\$ 308.5
Other Current Liabilities		
Accrued compensation.....	\$ 55.8	\$ --
Accrued commissions	6.9	--
Customer programs	16.3	--
Accrued utilities	--	--
Accrued freight.....	3.8	--
Accrued reorganization fees.....	24.0	--
Other accrued liabilities	35.7	--
	\$ 142.5	\$ --
Other Liabilities		
Deferred royalty income – non-filing entities.....	\$ --	\$ 31.5
Pension liabilities.....	204.2	--
Other accrued liabilities	37.8	--
	\$ 242.0	\$ 31.5
Other Liabilities Subject to Compromise		
Other postretirement benefits	\$ 69.3	\$ 185.4
Environmental remediation.....	359.3	164.8
Retained obligations of divested businesses	17.6	43.5
Special pension arrangements	91.1	70.8
Deferred compensation	3.5	8.2
Self insurance reserve.....	11.9	11.8
Accrued interest on pre-petition liabilities	54.3	--
Other accrued liabilities	4.3	82.1
	\$ 611.3	\$ 566.6

Accrued compensation in the table above includes salaries and wages as well as estimated current amounts due under the annual and long-term incentive programs.

4. Life Insurance

Grace is the beneficiary of corporate-owned life insurance ("COLI") policies on certain current and former employees with a net cash surrender value of \$90.8 million at February 28, 2007. The policies were acquired to fund various employee benefit programs and other long-term liabilities and are structured to provide cash flow (primarily tax-free) over an extended number of years.

The following table summarizes the components of net cash value at February 28, 2007 and Filing Date:

Components of Net Cash Value (In millions)	February 28, 2007	Filing Date
Gross cash value.....	\$ 116.1	\$ 453.7
Principal – policy loans	(24.5)	(390.3)
Accrued interest – policy loans	(0.8)	0.7
Net cash value.....	\$ 90.8	\$ 64.1
Insurance benefits in force.....	\$ 197.5	\$ 2,286.0

Grace's financial statements display income statement activity and balance sheet amounts on a net basis, reflecting the contractual interdependency of policy assets and liabilities.

5. Debt

On February 28, 2007 and the Filing Date, Grace's debt was as follows:

Components of Debt (In millions)	February 28, 2007	Filing Date
Debt payable within one year		
DIP facility.....	\$ --	\$ --
Other short-term borrowings and related fees payable.....	--	--
	\$ --	\$ --
Debt payable after one year		
DIP facility.....	\$ --	\$ --
Other long-term borrowings.....	--	--
	\$ --	\$ --
Debt Subject to Compromise		
Bank borrowings	\$ 500.0	\$ 500.0
8.0% Notes Due 2004	--	5.7
7.75% Notes Due 2002	--	2.0
Other borrowings.....	14.9	1.2
Accrued interest	235.4	2.6
	\$ 750.3	\$ 511.5
Annualized weighted average interest rates on total debt.....	8.3%	6.1%

In April 2001, the Debtors entered into the DIP facility for a two-year term in the aggregate amount of \$250 million. The DIP facility is secured by a priority lien on substantially all assets of the Debtors with the exclusion of foreign stock holdings, and bears interest based on the London Interbank Offered Rate (LIBOR). The Debtors have extended the term of the DIP facility through April 1, 2008. Grace had no outstanding borrowings under the DIP facility as of February 28, 2007; however, \$50.6 million of standby letters of credit were issued and outstanding under the facility. The letters of credit, which reduce available funds under the facility, were issued primarily for trade-related matters such as performance bonds, and certain insurance and environmental matters.